Judge:	Marc L. Barreca
Chapter:	Chapter 7
Hearing Date:	March 2, 2012
Hearing Time:	9:30 a.m.
Hearing Site:	700 Stewart St., #7106 Seattle, WA 98101
Reply Date:	February 24, 2012

UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re: ADAM GROSSMAN, Debtors.	Case No. 10-19817 NOTICE OF HEARING ON AND TRUSTEE'S MOTION FOR ORDER COMPELLING COMPLIANCE WITH COURT ORDER OR ALTERNATIVELY COMPELLING THE TSAI LAW COMPANY AND EMILY TSAI TO TURNOVER PROPERTY OF THE ESTATE

TO: Creditors and other parties in interest.

PLEASE TAKE NOTICE that a hearing on the Trustee's Motion for Order Compelling the Tsai Law Company and Emily Tsai to Comply with Court Order, or Alternatively to Compel Turnover of Property of the Estate will be heard on the 2nd day of March, 2012 before Judge Marc L. Barreca of U.S. Bankruptcy Court, 700 Stewart Street, Courtroom 7106, Seattle, Washington 98101 at 9:30 a.m. and the Clerk is requested to note the same for the motion docket on that date.

I. STATEMENT OF FACTS

1.1 The debtor filed this current bankruptcy proceeding as a voluntary chapter 11 bankruptcy petition on August 19, 2010 ("Petition Date"). Ronald Brown was appointed as the Chapter 11 Trustee on December 22, 2010. The case was converted to a Chapter 7 on March 11, 2011. Ron Brown was appointed as the Chapter 7 Trustee on March 11, 2011.

1.2 On the Petition Date the debtor was involved in a divorce proceeding pending in King County Superior Court, case number 09-3-02955-9 SEA.

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1.3 On or about September 16, 2010, after the Petition Date, the debtor retained the Tsai Law Company and Emily Tsai to represent him in the pending dissolution trial. In that proceeding the debtor was being represented by the Tsai Law Company and Emily Tsai. (docket #28 and 29).

1.4 At or about the same time, Jill Borodin, the debtor's ex-wife, alleged that the debtor paid Ms. Tsai a retainer of $7,500.00 funds borrowed from friends and family members post-petition. This however was not accurate. In fact, the debtor had paid the Tsai Law Company and Emily Tsai a total of $32,500 (docket #43).

1.5 No motion to employ the Tsai Law Company or Emily Tsai was filed with the Court simultaneously with the debtor's alleged employment of Emily Tsai and the Tsai Law Company. No motion was filed or order entered authorizing the debtor to pay any funds to the Tsai Law Company.

1.6 On October 19, 2010 Jill Borodin, the debtor's ex- wife, filed a motion for order for disgorgement of fees ("Disgorgement Motion" docket #28).

1.7 On November 4, 2010, in response to the Disgorgement Motion, the debtor filed an Application to Employ Emily Tsai ("Tsai Employment Application") as special counsel (docket #42).

1.8 In support of the Tsai Employment Application, Emily Tsai filed a declaration (docket #43) in which she stated the following in terms of funds she received:

> 9. I have received three deposits on behalf of Debtor's state court family law case's legal fees.
>
> 10. Two of those deposits, the first and the third, were paid directly to me by third parties on Mr. Grossman's behalf and not by Mr. Grossman.
>
> 11. On September 16, 2010, I received $7,500.00 from Peter Hendrickson on Mr.

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Grossman's behalf. These funds were placed into my firm's IOLTA account.

12. I have advanced costs from that retainer of approximately $5,000.00 as of this date for expert witness fees and some deposition costs.

13. On October 11, 2010, I received $20,000.00 from Lyman Opie on Mr. Grossman's behalf. These funds were placed into my firm's IOLTA account.

14. Insofar as I have been able to ascertain, neither I nor my firm has any connection, legal or otherwise, with either of the third party payors.

15. Insofar as I have been able to ascertain, neither I nor my firm represent any interest adverse to either of the two third party payors.

16. The second deposit in the sum of $5,000.00, was paid to me by cashier's check by Mr. Grossman on September 25, 2010. These funds were placed into my firm's IOLTA account.

17. The funds paid directly to me by Mr. Grossman (the $5,000.00) were returned by my firm to Mr. Grossman on October 22, 2010, pending the motion to appoint me as special counsel. These funds were paid by check to Mr. Grossman out of my firm's IOLTA account.

1.9 Thus as of the date of the Tsai Employment Application, the Tsai Law Company was holding a retainer of $27,500.00.

1.10 On November 12, 2010 he Court denied the Disgorgement Motion and granted the Tsai Employment Application. The Order Granting Application to Employ Special Counsel Nunc Pro Tunc (Tsai Employment Order") (docket #62) specifically stated:

> IT IS HEREBY ORDERED that Adam R. Grosman, as Debtor-In-Possession, be and is hereby authorized to employ and retain the Tsai Law Company, PLC., as his attorneys at the rate of $295 per hour for attorney's fees or $3,500 per day during trial to perform all of the services set forth in the Application, said fees to be subject to approval by the Court.

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1.11 Despite the language of the Tsai Employment Order, it appears that once the Order was entered the Tsai Law Group paid itself the entire $27,500.00 even though it did not file a fee application seeking approval of its fees or authorizing payment of its retainer and no orders were entered authorizing the same. See Exhibit "1" and "2" to the Declaration of Denice Moewes filed simultaneously herewith.

1.12 However, this fact was never disclosed to the Court at any point, and this fact is not disclosed by Ms. Tsai when she finally filed her and the Tsai Law Company first and final application for compensation (docket #150 and 151).

1.13 Ultimately the fees of Ms. Tsai and the Tsai Law Company were approved. However, the order specifically stated that:

> ORDERED, ADJUDGED and DECREED that the Tsai Law Company shall continue to hold in its IOLTA trust account all funds received in relation to this matter, including the sum of $29,500.00 paid to Tsai Law Company by Dennis Vidach and Susan Myers, pending further Order of this Court.
>
> (Docket # 196).

1.14 The issue of whether Ms. Tsai and the Tsai Law Company could disburse any funds in payment of the approved fees was reserved until discovery could be conducted.

1.15 An Order Denying Application for Disbursement of Fees to Tsai Law Group ("Order Denying Tsai Disbursement of Fees") was entered on September 15, 2011 (docket #220).

1.16 The order specifically stated that

> ORDERED ADJUDGED AND DECREED that the Disbursement Request is denied and the Tsai Law Group is required to turnover the funds in its trust account to the Trustee.

1.17 There should have been a total of $57,000.00 that the Tsai Law Company and Emily Tsai were holding in the trust account, the $27,500 that was received prior to the appointment of a trustee and the $29,500.00 that was received after the appointment of the trustee (docket #196 and #43).

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1.18 However, since Ms. Tsai and the Tsai Law Company paid themselves $27,500.00 without court approval that money was not in the trust account.

1.19 Demand was made on Emily Tsai and the Tsai Law Company for turnover of the additional $27,500.00, but as of this date the $27,500.00 has not been paid to the Trustee. See Exhibit “3” Moewes Declaration.

II. Motion to Compel Turnover

Section 542 of the Bankruptcy Code requires any entity, other than a custodian, in possession, custody or control of property of the estate, to turnover property of the estate, except property of an inconsequential value. Neither Emily Tsai nor the Tsai Law Company are custodians as defined under section 101(11) of the Bankruptcy Code.

Funds obtained after the date the chapter 11 was filed, but before the case was converted to a Chapter 7 constitute property of the estate. Section 541(a)(7)

The $27,500.00 clearly is not of inconsequential value.

III. Motion to Compel Compliance with Court Order

The Order Denying Tsai Disbursement of Fees was entered on September 15, 2011 required the Tsai Law Company and Emily Tsai to turnover all funds in her trust account. The amount she was holding should have been 57,000.00. The fact that the Tsai Law Company and Ms. Tsai took $27,500.00 of the funds and paid herself, in violation of the Tsai Employment Order does not mean that she does not have to comply with the Order Denying Tsai Disbursement of Fees and turn the funds over. In order for the Tsai Law Company and Ms. Tsai to bring themselves in compliance with the Order Denying Tsai Disbursement of Fees requires that this Court order the additional $27,500.00 turned over.

WHEREFORE, the Trustee requests that the Court enter and order compelling Emily Tsai and the Tsai Law company to turnover $27,500.00 to the trustee within 10 days of the entry of the order. In the event the funds are not paid to the trustee within 10 days the

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Trustee requests that this Court authorize the Trustee to send a motion and order to show cause, ex parte, in relation to this matter.

OBJECTIONS

Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one in this bankruptcy case. (If you do not have an attorney, you may wish to consult one.)

If you do not want the Court to grant the relief requested in the Trustee's Motion, or if you want the Court to consider your view on the Trustee's Motion, then on or before Friday, February 24, 2012, you or your attorney must file with the Court a written response to the Trustee's Motion explaining your position. The response must be filed at U.S. Bankruptcy Court, 700 Stewart Street, Seattle, Washington 98101, and a copy served on Denice Moewes, 303 N. 67th Street, Seattle, Washington, 98103.

If you mail your response you must mail it early enough so that the Court, the Judge and the undersigned will receive it on or before the date stated above.

If you or your attorney do not take these steps, the Court may decide that you do not oppose the relief sought in the Trustee's Motion and may enter an order granting that relief.

Further information regarding the Trustee's proposal may be obtained by telephoning Denice Moewes at Wood & Jones, P.S., (206) 623-4382

DATED this 1st day of February, 2012.

WOOD & JONES, P.S.

/s/ Denice E. Moewes
Denice E. Moewes, WSB#19464
Attorney for Chapter 7 Trustee
Ronald G. Brown

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Judge: Marc L. Barreca
Chapter: Chapter 7

UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re: ADAM GROSSMAN, Debtor.	Case No. 10-19817 ORDER COMPELLING THE TSAI LAW COMPANY AND EMILY TSAI TO COMPLY WITH THE PREVIOUS COURT ORDER OR ALTERNATIVELY TO COMPEL TURNOVER PROPERTY OF THE ESTATE TO THE TRUSTEE

THIS MATTER having come before Judge Marc L. Barreca on the Trustee's Motion for Order Compelling the Tsai Law Company to Comply with the Previous Court Order or Alternatively to Compel Turnover Property of the Estate ("Trustee's Motion"); the Court finding

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that notice of the Trustee's Motion was timely given to all creditors listed on the mailing matrix and hence was in compliance with the Bankruptcy Code and Rules; the Court having reviewed the Trustee's Motion, and having reviewed any Objections filed thereto, and having reviewed the files and deeming itself fully informed in this matter, now, therefore, it hereby is

ORDERED ADJUDGED AND DECREED that the Tsai Law Company is required to comply with this Court's Order of September 15, 2011 (docket #220) and turnover $27,500.00 of funds it paid to itself out of the trust account within 10 days of the entry of this Order, and it is further

ORDERED ADJUDGED AND DECREED that the if the $27,500.00 is not turned over to the Trustee within 10 days of the entry of this Order, the Trustee may file an ex parte motion and order for contempt.

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*///END OF ORDER***///**

Presented by:

Wood & Jones, P.S.

/s/ Denice E. Moewes
Denice E. Moewes, WSB#19464
Attorney for Trustee
Ronald G. Brown

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